



# AN INDUSTRY ON STEROIDS

Construction continues to fuel the unprecedented growth experienced in Utah. It's an industry spooled up, tooled up, and seems to just keep growing, as long as it has the labor. Building jobs have grown at a rate three times the average in Utah since 1990. Growth, however, has not always been steady. In 2002, construction employment dropped significantly, but has bounced back since 2004.

The bottom graph on page 21 shows the phenomenal construction job growth rates over the last decade and a half, compared to the average state growth for all jobs. The state enjoyed the boom through the 1990s with employment growth rates peaking at about 6 percent (1994). This was a very strong showing for Utah, but it was eclipsed by the four-times higher rate of construction job growth.

Since 2000, construction has been one of the industries that has actually softened the impact of the 2002 recession. Of course, it didn't hurt that millions of dollars were funneled into building activity related to the 2002 Winter Olympics (venues, roads, rail). The economy, as well as the building and the financing industries, did feel the effects of the recession. Construction employment actually dipped in 2002, then the industry cranked up with huge job increases over the last three years.

## High Growth

Over the 16-year period from 1990 to 2006 the construction industry grew from 28,500 to 96,300—that's about a 240-percent leap. In comparison, the state increase was 66 percent. Of the roughly 20 major industry sectors, not a single one even came close to construction's rate of growth. Evidence of the industry's high growth is its increased share of total jobs. In 1990, 4 percent of all jobs in the state were in construction. By 2006, that proportion had doubled, to 8 percent.

## On the Horizon

Booming demand, often driven or accompanied by creative financing, has spurred on the residential construction market. In response to this home buying, nonresidential construction that typically supports and follows residential development is also gearing up. Utah's "on-fire" economy is helping

### *Notes from the Hill...Bureau of Business and Economic Research – Construction Report*

- The number of permits for single dwellings was high, but slowed slightly from the record 20,900 permits in 2005 (see graph).
- For the first time, Utah County issued more single-family building permits than Salt Lake County—5,329 to 4,584 for 2006.
- Residential building has slowed in Washington County with permits dropping by 40 percent between 2005 and 2006. Lehi out-paced St. George in the number of single-family permits issued.
- Nonresidential construction was the heavy hitter in construction in 2006, buoyed by demand for nonresidential industrial, retail, and office building. Total non-residential valuation for 2006 was \$1.6 billion, up 30 percent from 2005.
- The strength in the housing market can be attributed simply to low interest rates and high demand.

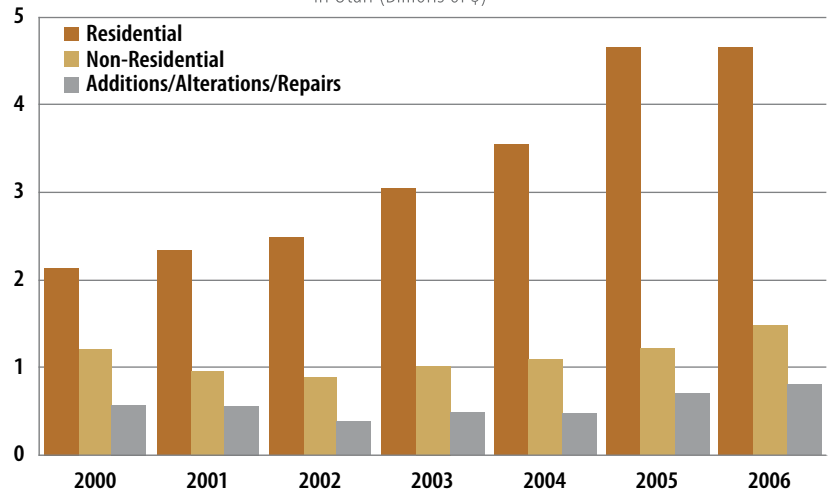
to continue the boosted demand. The state has become very attractive to new businesses, which create new jobs. Of course, Utah's highest-in-the-nation employment and population growth rates don't hurt either. All of this, added to net in-migration and natural increase, continues to fuel the fire of high growth for construction. ❶

For more information on construction see:

- <http://jobs.utah.gov/opencms/wi/statewide/ifsheets/construction.pdf>
- <http://www.business.utah.edu/display.php?&pageId=1690>
- <http://www.business.utah.edu/display.php?pageId=1137>
- <http://www.bls.gov/iag/construction.htm>

## CONSTRUCTION VALUATION BY TYPE OF ACTIVITY

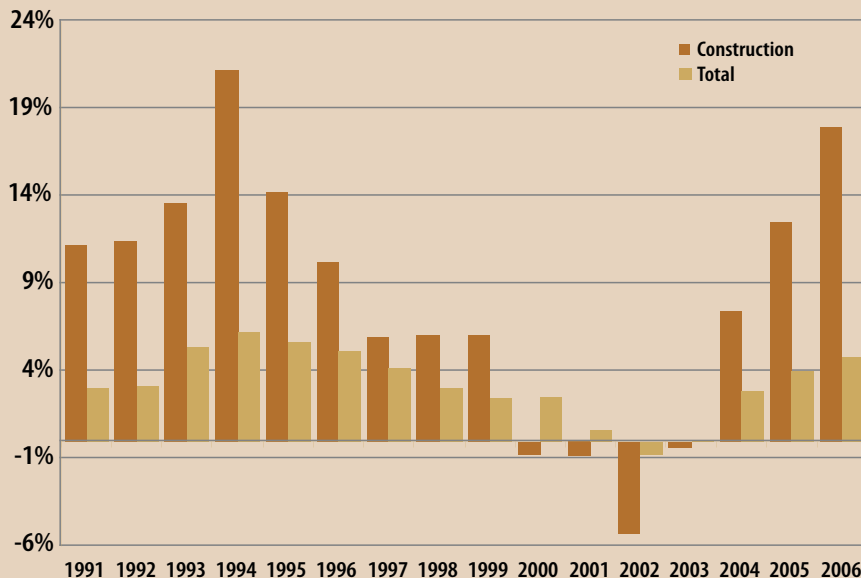
in Utah (Billions of \$)



Source: Bureau of Economic and Business Research, University of Utah.

## Year-Over EMPLOYMENT GROWTH RATES

Total Nonfarm Jobs and Construction Jobs



Source: Utah Department of Workforce Services